Research Article OPEN ACCESS

Volume-10 | Issue-1| Jan-Jun-2023|

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JOURNAL OF BUSINESS MANAGEMENT AND INFORMATION SYSTEMS

E-ISSN: **2394-3130**

Double Blind Peer Reviewed Journal

URL: https://jbmis.qtanalytics.in

Financial literacy, Savings and Investment behaviour of IT professionals: An empirical investigation

Seema Gupta

Department of Commerce, Deshbandhu College, University of Delhi, Delhi INDIA

Email Id: seemaggupta.com@gmail.com

Received: 28th March, 2023 ***Accepted:*** 13th April, 2023, ***Published***: 14th April, 2023

ABSTRACT: India's IT sector significantly contributes to the country's GDP. Savings and investments are essential for accelerating economic growth and elevating India. The goal of this study is to investigate the saving opportunities, investing behaviour, and degree of financial literacy among IT professionals. IT professionals have a distinct perspective when they decide to invest in a certain avenue and they want their money to be invested in the most safe and liquid method possible. These are just a few examples of the many characteristics of savings and investment behaviour. Their investing goals likewise vary, ranging from monetary stability to extra revenue and so forth. The study looks at how people's savings and investing choices are related to their degrees of financial literacy. A structured questionnaire was used for the primary survey analysis of 90 IT professionals employed in India's national capital area. The results demonstrate a substantial link between investment decisions and perceived financial knowledge.

KEYWORDS: Financial literacy, savings, investment behaviour, IT professionals

1. INTRODUCTION

The general education system, and particularly financial education or financial literacy, present the biggest challenges to developing countries. Financial product investment options have increased both domestically and internationally, enabling investors to diversify their portfolios across a variety of financial goods (Koomson et. al., 2020; Turégano & Herrero, 2018). The complexity of non-traditional financial products has grown in recent years on the financial markets. Understanding financial concepts and using them to one's advantage in daily life are both components of financial literacy (Janor et. al., 2016). In practise, integrating these financial ideas and applications is a difficult task. The parameters of financial literacy include things like money management, saving and investment planning, among other things.

Because of the rise in financial fraud, the population's lower level of financial literacy is a major concern for today's government (P. Mittal, 2020a, 2020b). The general knowledge of financial planning tools and techniques among management students is still low even in the twenty-first century. In the Indian cultural context, the patriarch, or head of the family, used to make financial decisions. India's two biggest social issues are poverty and unemployment, so increasing financial literacy among the populace is necessary to combat these issues (Mehta et. al., 2022; Mittal et.al., 2021).

The primary determinants of investment are security, return, capital growth, risk, liquidity, tax advantages, and convenience. There are numerous investment options with various risk-reward trade-offs. such as savings in the post office, bank deposits, stocks, mutual funds, gold, and other tangible assets. Investors can build a portfolio that maximises returns while reducing risk exposure with the aid of a solid understanding of the fundamental concepts and an in-depth analysis of the available options. Investment can be defined as the net addition to a country's physical stock of capital. Investment is the sacrifice of current money or other resources for future benefits (Al-Thaqeb & Algharabali, 2019). There are several investing options in the current financial market environment.

DOI: https://doi.org/10.48001/jbmis.2023.1001006

The Reserve Bank of India (RBI) offers financial education so that the general public may make wise financial decisions and obtain access to banking and nonbanking goods and services. This study aims to evaluate the degree of financial literacy among Delhi's IT professionals between the ages of 24 and 40. This study also seeks to determine the link between investment behaviour and literacy. With the aid of a list of questions, including those about a person's level of financial expertise and the investments they have made in various goods, it will be possible to get the answers to both of these queries.

2. LITERATURE REVIEW

When choosing a financial product or combination of financial products, a person's behaviour in relation to investments frequently shows their capacity for making sensible decisions (Lewis & Messy, 2012). According to study, investing is always important in one's life, regardless of sex, age, religion, etc. Human behaviour differs, and this is also true of their perspectives on financial investments. Different groups of people invest for a variety of reasons and aspirations. People now have a wide range of alternatives for where to invest and how much money to invest, thanks to the diversity of financial products currently available on the Indian and international financial markets(Hastings, Mitchell, & Chyn, 2011; Janor et al., 2016; Lusardi & Mitchelli, 2007). Research has continually indicated that individuals and families prefer to invest through well-known and traditional channels (Awais et. al., 2016; Gallery et. al., 2011). Additionally, it has been shown that people and households know a lot more about well-known and traditional investment alternatives than they do about new and sophisticated financial instruments like mutual funds, corporate securities, equities, and preference shares that are offered on the market.

Previous research has sought to correlate individual demographic factors and financial literacy knowledge with individual investors' saving and investing habits and has shown strong correlations between these two variables (Aggarwal, 2019; Counted & Arawole, 2015; Jariwala, 2013). Awais et al. (2016) conducted a study utilising a primary survey and found that consumers lacked both financial literacy and a profound understanding of alternative investing alternatives. A survey conducted by Aggarwal (2019) revealed that of all the financial products accessible to them, middle class households had a preference for bank savings and insurance. Post office savings and personal provident fund (PPF) plans were also ranked third among these people's preferences. To learn more about Indian investors' investment habits and behaviours in the various instruments that are accessible Adetunji & David-West (2019) did a further study. They discovered that a person's behaviour toward investments is greatly influenced by things including their career, age, and other personal characteristics. It has been seen and observed that compared to goods like mutual funds, equities, and preference, people have a higher level of awareness of and confidence in conventional financial products. Another study from Mittal (2021)indicated that demographic characteristics such occupation, education, age, income, and marital status have little bearing on investment behaviour. The working population of Delhi, Noida, and Gurgaon served as the study's main data source.

According to the research carried out by Janor et al. (2016), financial literacy is a key predictor of wealth growth, independent of one's age, income level, level of education, risk-taking tendencies, or amount of patience. This has also been shown to be true when highly knowledgeable individuals invest in stocks and begin making long-term plans relatively early in life, assuring a consistent rate of return. Additionally, a shortage of funds When buying stocks and shares, literacy might prove to be a significant barrier.

Kaur, (2022) made the claim that a person's employment, degree of income, and educational attainment are the three characteristics most strongly influencing their desire and knowledge of financial goods. They studied the university staff in Himachal Pradesh for their study project. The results indicate that the majority of the employees invested in practically all of the available investment opportunities, but a startling finding was that most of them choose to invest in safer options rather than taking a chance on goods like insurance, FDs, etc. in order to get a larger return.

Another research performed by Kaur (2021) suggested that families and people with greater levels of literacy were better able to monitor credit card payments and at the same time wanted more sane financial goods. It has also been noted that families and schools have a bigger part to play in developing adults' and kids' literacy. Individual investors with a high degree of financial literacy, in accordance with (Bhatia & Singh, 2019; Nguyen, 2020), are better equipped to advise other investors in making both short- and long-term investing decisions. Additionally, they can serve as a supply of abilities to boost an individual's returns. After reading the aforementioned research, it is clear that few studies have looked for a connection between financial education and stock market investment behaviour. However, research is lacking, especially with young IT employees who are ignorant of investing prospects. This investigation seeks to fill up this specific gap.

3. METHODOLOGY

The study has collected primary data using google form. A total of 100 responses were received, out of which 90 were used for data analysis purposes. 10% of the data was found missing in may variables and hence deleted from the analysis. The indicators of each construct were measured on a 5-point Likert scale with 1 being strongly disagree and 5 strongly agree. The respondents were IT professionals at different levels working in the corporate sector. Snowball sampling method has been used for choosing IT professionals in Delhi-NCR region. Secondary data is collected from various reports, books, journals, records, etc. and various websites. The data collected was first analyzed using descriptive statistics and subsequently using inferential statistics. For the analysis purpose, SPSS 19.0 was used for application of descriptive statistics, ANOVA and t-test.

In order to examine the overall financial literacy score of the respondents four dimensions of financial literacy were taken

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into consideration namely, financial behaviour, financial attitude, financial knowledge and financial skills. The OPEC survey instructions state that knowledge, conduct, and attitude should all be taken into account when calculating the total score for financial literacy. However, this study aims to close the gap between people's behaviour and genuine financial skill. All four indicated factors are present in this research. The knowledge score is calculated by summing the answers to the inquiries used to gauge a person's financial literacy. These questions included topics including interest, inflation, and time worth of money. The objectives of the questions were to evaluate candidates' understanding of both fundamental and advanced financial concepts and practises. This can only be more than a number of 5, not less. Each correct response received a score of 1, and each incorrect response received a score of 0. The score for financial conduct was calculated by taking the mean of all the questions that fell within this category. The questions included every aspect needed to evaluate a person's financial behaviour. There were questions on how people save money, how they create budgets, how they keep track of their costs, etc. This rating had to fall between 1 and 5. The attitude score asks about the respondent's views regarding daily money, long-term objectives, and interest in pursuing those goals. The skill score calculates an individual's overall score in order to determine their skill level. This is rated from 1 to 5 on a scale. This score is added to determine whether the person can translate his actions and attitude into reality.

4. DATA ANALYSIS

In order to examine the financial literacy, the overall group of respondents were categorized in to high, middle and low level of finance literacy scores. The respondents who obtained score below 8 out of 20 were categorized in the low level of financial literacy, 9-15 out of 10 in the category of middle level of financial literacy, and above 10 in the group of high level of literacy group. The findings show that only 9 participants were having low level of financial literacy, 67 middle level and 14 from high level of financial literacy. Respondents having high level financial literacy scored high average scores in financial knowledge (4.36), financial behaviour (4.00), financial attitude (4.29), and financial skills (4.29).

Table 1: Average scores of Individual levels of financial literacy in three categories

		N	Mean	Std. Deviation
Financial knowledge	**Low level Fin literacy group**	9	1.78	.833
	Middle level of Fin literacy group	67	3.43	1.427
	High level of Fin literacy group	14	4.36	1.008
	Total	90	3.41	1.460
Financial behaviour	**Low level Fin literacy group**	9	2.00	1.225
	Middle level of Fin literacy group	67	3.03	1.314
	High level of Fin literacy group	14	4.00	1.240
	Total	90	3.08	1.376
Financial attitude	**Low level Fin literacy group**	9	2.00	1.118
	Middle level of Fin literacy group	67	3.09	1.228
	High level of Fin literacy group	14	4.29	1.069
	Total	90	3.17	1.318
Financial Skills	**Low level Fin literacy group**	9	1.67	.866
	Middle level of Fin literacy group	67	3.10	1.269
	High level of Fin literacy group	14	4.29	.914
	Total	90	3.14	1.345

Table 2 show a contingency table of the different investment decisions on the purchase of financial products in the three levels of financial literacy. Stock market is more popular in the middle and high level of financial literacy. Bank deposits are more popular investment destinations of low level of financial literacy individuals.

Chi-square test has been carried out to test the significance of association between the financial products and the level of financial literacy. The results are found significant at 5% level.

Table 2: Investment decisions in different levels of financial literacy

		Level			
		Low level Fin literacy group	**Middle level of Fin literacy group**	**High level of Fin literacy group**	Total
Financial products	Mutual funds	20.0%	70.0%	10.0%	100%
	Post office savings	5.9%	82.4%	11.8%	100%
	Bank deposits	30.0%	70.0%		100%
	Stock market	7.7%	69.2%	23.1%	100%
	Debentures		80.0%	20.0%	100%
	Life insurance		100.0%		100%
	Commodity markets	7.7%	61.5%	30.8%	100%
	Public provident fund	10.0%	70.0%	20.0%	100%
Total		10.0%	74.4%	15.6%	100%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.790	14	.049

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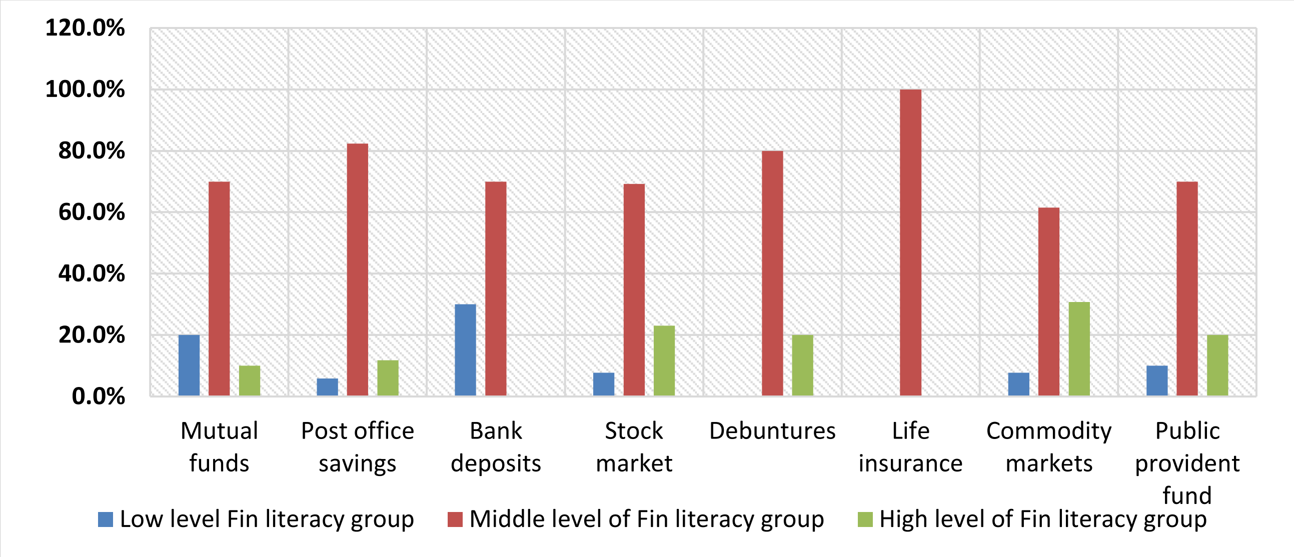

Figure 1: Column Chart showing % of respondents Investment decisions vs levels of financial literacy

Table 3 shows association between the factors influencing the investment decisions in different levels of financial literacy. The results show that regular income is the important factor hat influences the individuals that having low level of financial literacy. Interest rates is most influencing in the middle level of financial literacy and tax benefits is most influencing in the high level of financial literacy.

Further, results of chi-square test statistics show that the association between the factors influencing the investment decisions and the levels of financial literacy is significant.

Table 3: Factors influencing the Investment decisions in different levels of financial literacy

		Level			
		Low level Fin literacy group	**Middle level of Fin literacy**	**High level of Fin literacy group**	Total
Factors	Interest rates	6.7%	80.0%	13.3%	100.0%
	Regular income	20.0%	66.7%	13.3%	100.0%
	Risk & return	5.3%	84.2%	10.5%	100.0%
	Risk & return	9.1%	72.7%	18.2%	100.0%
	Tax benefits	10.5%	68.4%	21.1%	100.0%
Total		10.0%	74.4%	15.6%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.000	8	.021

5. CONCLUSIONS

This study has analyzed the perceived behaviour of young individuals' working in the field of Information Technology saving and investing habits as well as their financial literacy levels to determine if financial literacy is a significant predictor of saves and investing habits. Furthermore, it has been found that financial literacy is a reliable indicator of young people's saving and investing habits. This study makes an effort to provide some perspective on the elements that encourage responsible saving and investing behaviour in light of the rising levels of debt among the young population throughout the world as well as the low saves and bad investment attitude among the youth. In contrast to the majority of previous research, which mostly concentrated on the influence of economic factors, we specifically analyse the effect of several non-economic factors (financial literacy and parental financial behaviour) on the saves and investing behaviours. Policy makers interested in encouraging saves and investment behaviour among their citizens, particularly those from developing nations where savings and investment culture is weak, should consider the findings presented in this study. Based on the study's findings, we contend that raising people's financial literacy skills is a crucial strategy for motivating them to start saving and investing early in life.

The investment habits of IT professionals show that the majority of the respondents had little savings. Additionally, they give insurance plans and bank deposits more prominence. Return is the primary objective of investments, but meeting future family requirements is the long-term objective. The economic environment is one of the main elements affecting investment decisions. Most respondents choose medium-term investments with moderate risk and modest reward. The majority of respondents are content with their current returns while also anticipating higher returns. Respondents learned about the investment via their relatives and friends. Therefore, encourage professional investment so that the economy can grow.

The sample employed for the study was substantial, but it was restricted to a specific region and IT professionals, which may have limited the degree to which generalisation could be made about young people's of other areas like marketing and finance savings and investing behaviour and the determinants of such behaviour. Once more, the study only took into account the impact of two non-economic factors: parental money management and financial literacy. These restrictions provide significant research directions for the future.

DOI: https://doi.org/10.48001/jbmis.2023.1001006

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